



**CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA**

**AUDIT AND FINANCE COMMITTEE MEETING**

**AGENDA**

Harold Hollis, Chair  
James Henderson

Sam Cason  
Mark Wiggin  
Bettina Chastain

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**August 12, 2020**

**4:00 p.m.**

**Chugach Board Room**

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- I. CALL TO ORDER *(4:00 p.m.)*
  - A. *Roll Call*
- II. APPROVAL OF THE AGENDA\*
- III. APPROVAL OF THE MINUTES\*
  - A. *May 12, 2020 (Quezon)*
- IV. PERSONS TO BE HEARD
  - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE *(scheduled) (4:05 p.m.)*
  - A. *2<sup>nd</sup> Quarter 2020 Operating Budget Status Report (Curran) (4:05 p.m.)*
  - B. *2<sup>nd</sup> Quarter 2020 Capital Tracking Report (Curran) (4:15 p.m.)*
  - C. *2<sup>nd</sup> Quarter 2020 Contract Status Report (Vecera) (4:25 p.m.)*
  - D. *2<sup>nd</sup> Quarter 2020 Financial Statements and Variance Report (Harris/Curran) (4:35 p.m.)*
- VI. NEW BUSINESS\* *(scheduled) (4:40 p.m.)*
  - A. *Election of Audit and Finance Committee Vice Chair\* (Committee) (4:40 p.m.)*
  - B. *2<sup>nd</sup> Quarter 2020 Financial Information (Harris) (4:50 p.m.)*
- VII. EXECUTIVE SESSION\* *(scheduled) (5:05 p.m.)*
  - A. *KPMG 2<sup>nd</sup> Quarter 2020 Review (5:15 p.m.)*
  - B. *June 30, 2020, SEC Form 10Q Review (5:45 p.m.)*
  - C. *Accounting for ML&P Acquisition (6:00 p.m.)*
- VIII. NEW BUSINESS\* *(continued) (6:15 p.m.)*
  - A. *June 30, 2020, SEC Form 10Q Filing\* (Curran)*
- IX. DIRECTOR COMMENTS *(6:20 p.m.)*
- X. ADJOURNMENT\* *(6:30 p.m.)*

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**May 12, 2020**  
**Tuesday**  
**4:00 p.m.**

**AUDIT AND FINANCE COMMITTEE MEETING**

Recording Secretary: Arden Quezon

**I. CALL TO ORDER**

Chair Morse called the Audit and Finance Committee meeting to order at 4:01 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members Present:*

Rachel Morse, Chair  
Harold Hollis, Vice Chair *(via teleconference)*  
Susan Reeves, Director *(via teleconference)*  
Jim Henderson, Director *(via teleconference)*  
Bettina Chastain, Director *(via teleconference)*

*Other Board Member Present:*

Harry Crawford, Director  
Stuart Parks, Director *(via teleconference)*

*Guests and Staff in Attendance:*

Lee Thibert	Matthew Clarkson	Ron Vecera
Sherri Highers	Jody Wolfe	Mike Hayhurst, KPMG
Connie Owens <i>(via teleconference)</i>	Kathy Harris	<i>(via teleconference)</i>
	Renee Curran	Melissa Beedle, KPMG
		<i>(via teleconference)</i>

**II. APPROVAL OF THE AGENDA**

Director Reeves moved and Director Hollis seconded the motion to approve the agenda.

**III. APPROVAL OF THE MINUTES**

Director Chastain moved and Director Hollis seconded the motion to approve the March 18, 2020, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

**IV. PERSONS TO BE HEARD**

*A. Member Comments*  
None

## **V. CEO REPORTS AND CORRESPONDENCE**

- A. 1<sup>st</sup> Quarter 2020 Operating Budget Status Report (Curran)*  
The 1<sup>st</sup> Quarter 2020 Operating Budget Status Report was provided in the meeting packet.
- B. 1<sup>st</sup> Quarter 2020 Capital Tracking Report (Curran)*  
The 1<sup>st</sup> Quarter 2020 Capital Tracking Report was provided in the meeting packet.
- C. 1<sup>st</sup> Quarter 2020 Contract Status Report (Vecera)*  
The 1<sup>st</sup> Quarter 2020 Contract Status Report was provided in the meeting packet.
- D. IRS Form 990 (Curran)*  
Director Reeves asked a question about the language used on page 25, Schedule O, Part VI, Section B, Line 12c (3). Sherri Highers, CFO, Executive VP, Finance & Administration stated that she will look into it and will get back to the Committee.  
  
Ms. Highers and Matthew Clarkson, Executive VP, General Counsel addressed Director Reeves' question regarding the Form 990 after agenda item V.F.
- E. CFC Credit Card One Pilot Program (Curran)*  
Ron Vecera, Risk Management and Jody Wolfe, Controller, discuss the CFC Credit Card One Pilot Program and responded to questions from the Committee.
- F. 1<sup>st</sup> Quarter 2019 Financial Statements and Variance Report (Harris/Curran)*  
The 1<sup>st</sup> Quarter 2020 Financial Statements and the Variance Report were provided in the meeting packet.

## **VI. NEW BUSINESS**

- A. 1<sup>st</sup> Quarter 2020 Financial Information (Harris)*  
Kathy Harris, Sr. Manager, General Accounting discussed the 1<sup>st</sup> Quarter 2020 Financial Information.  
  
Sherri Highers, CFO, Executive VP, Finance and Administration and Lee Thibert, Chief Executive Officer (CEO) responded to questions from the Committee.

## **VII. EXECUTIVE SESSION**

- A. Strategic Planning*
  - 1. KPMG 1<sup>st</sup> Quarter 2020 Review/KPMG Contract*
  - 2. FY2020 Tax Services*
  - 3. March 31, 2020, SEC Form 10Q Review*
  - 4. Accounting for ML&P Acquisition*
  - 5. Capital Credit Retirement*

At 4:25 p.m., Director Hollis moved and Director Reeves seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) the Board Audit and Finance Committee go into executive session to discuss financial matters, the immediate knowledge of which would

clearly have an adverse effect on the finances of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 6:55 p.m.

## **VIII. NEW BUSINESS**

### *A. FY2020 Tax Services (Highers)*

Director Hollis moved and Director Reeves seconded the motion that the Audit and Finance Committee recommend to the Board of Directors to approve the tax services for FY2020. The motion passed unanimously.

### *B. KPMG Contract (Highers)*

Director Hollis moved and Director Reeves seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve a two-year contract extension from KPMG as discussed in executive session. The motion passed unanimously.

### *C. March 31, 2019, SEC Form 10K Filing (Curran)*

Director Reeves moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Mr. Hayhurst and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes. The motion passed unanimously.

### *D. Annual Review of Board Policy 207 Audit and Finance Committee Discussion (Committee)*

Chair Morse discussed the Annual Review of the Board Policy 207 Audit and Finance Committee and that there is one recommended change. She also stated that the minutes for the Audit and Finance Committee are available through the meeting packets. No objections were made for the recommended change and there was no further discussion.

### *E. Capital Credit Retirement (Highers)*

Director Chastain moved and Director Hollis seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve a capital credit retirement as discussed in executive session.

## **IX. DIRECTOR COMMENTS**

Comments were made at this time.

## **X. ADJOURNMENT**

At 7:01 p.m., Director Hollis moved and Director Reeves seconded the motion to adjourn. The motion passed unanimously.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**August 3, 2020**

**TO:** Sherri L. Highers, CFO  
**FROM:** Melissa Yang, Financial Analyst  
**SUBJECT:** 2<sup>nd</sup> Quarter 2020 Operating Budget Status Report

There were no budget adjustments in the second quarter of 2020. See Operating Budget Status Report on page 2.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**OPERATING BUDGET STATUS REPORT**  
**2ND QUARTER 2020**

<b>CATEGORY</b>	<b>2020 Q1 AMENDED BUDGET</b>	<b>2020 Q2 BUDGET REVISIONS</b>	<b>2020 Q2 AMENDED BUDGET</b>
<b>REVENUES:</b>			
<b>TOTAL REVENUE</b>	<b>\$218,368,235</b>	<b>\$0</b>	<b>\$218,368,235</b>
<b>EXPENSES:</b>			
FUEL EXPENSE	60,004,306	0	60,004,306
POWER PRODUCTION EXPENSE	21,763,699	0	21,763,699
COST OF PURCHASED POWER	19,462,415	0	19,462,415
TRANSMISSION EXPENSE	7,416,584	0	7,416,584
DISTRIBUTION EXPENSE-OPERATIONS	7,253,187	0	7,253,187
DISTRIBUTION EXPENSE-MAINTENANCE	9,125,276	0	9,125,276
CONSUMER ACCOUNTS EXPENSE	6,853,945	0	6,853,945
CUSTOMER SERVICE/INFO EXPENSE	856,021	0	856,021
ADMINISTRATIVE/GENERAL EXPENSE	25,445,771	0	25,445,771
<b>TOTAL OPERATIONS/MAINTENANCE EXPENSE</b>	<b>\$158,181,204</b>	<b>\$0</b>	<b>\$158,181,204</b>
DEPRECIATION/AMORTIZATION EXPENSE	31,953,849	0	31,953,849
TAX EXPENSE-OTHER	270,378	0	270,378
INTEREST ON DEBT	22,754,145	0	22,754,145
INTEREST ON CONSTRUCTION-CREDIT	(436,911)	0	(436,911)
OTHER DEDUCTIONS	400,000	0	400,000
<b>TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$213,122,665</b>	<b>\$0</b>	<b>\$213,122,665</b>
<b>PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$5,245,570</b>	<b>\$0</b>	<b>\$5,245,570</b>
NON-OPERATING MARGINS-INTEREST	399,000	0	399,000
ALLOWANCE FUNDS USED DURING CONST.	145,638	0	145,638
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
<b>PATRONAGE CAPITAL OR MARGINS</b>	<b>\$5,790,208</b>	<b>\$0</b>	<b>\$5,790,208</b>

MF/I

1.25

1.25

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**OPERATING BUDGET STATUS REPORT**  
**1ST QUARTER 2020**

<b>CATEGORY</b>	<b>2020 APPROVED BUDGET</b>	<b>2020 Q1 BUDGET REVISIONS</b>	<b>2020 Q1 AMENDED BUDGET</b>
<b>REVENUES:</b>			
<b>TOTAL REVENUE</b>	<b>\$227,256,742</b>	<b>(\$8,888,507)</b>	<b>\$218,368,235</b>
<b>EXPENSES:</b>			
FUEL EXPENSE	68,747,863	(8,743,557)	60,004,306
POWER PRODUCTION EXPENSE	21,763,699	0	21,763,699
COST OF PURCHASED POWER	19,607,365	(144,950)	19,462,415
TRANSMISSION EXPENSE	7,416,584	0	7,416,584
DISTRIBUTION EXPENSE-OPERATIONS	7,253,187	0	7,253,187
DISTRIBUTION EXPENSE-MAINTENANCE	9,125,276	0	9,125,276
CONSUMER ACCOUNTS EXPENSE	6,853,945	0	6,853,945
CUSTOMER SERVICE/INFO EXPENSE	856,021	0	856,021
ADMINISTRATIVE/GENERAL EXPENSE	25,445,771	0	25,445,771
<b>TOTAL OPERATIONS/MAINTENANCE EXPENSE</b>	<b>\$167,069,711</b>	<b>(\$8,888,507)</b>	<b>\$158,181,204</b>
DEPRECIATION/AMORTIZATION EXPENSE	31,953,849	0	31,953,849
TAX EXPENSE-OTHER	270,378	0	270,378
INTEREST ON DEBT	22,754,145	0	22,754,145
INTEREST ON CONSTRUCTION-CREDIT	(436,911)	0	(436,911)
OTHER DEDUCTIONS	400,000	0	400,000
<b>TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$222,011,172</b>	<b>(\$8,888,507)</b>	<b>\$213,122,665</b>
<b>PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$5,245,570</b>	<b>\$0</b>	<b>\$5,245,570</b>
NON-OPERATING MARGINS-INTEREST	399,000	0	399,000
ALLOWANCE FUNDS USED DURING CONST.	145,638	0	145,638
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
<b>PATRONAGE CAPITAL OR MARGINS</b>	<b>\$5,790,208</b>	<b>\$0</b>	<b>\$5,790,208</b>

MF/I

1.25

1.25

**CHUGACH ELECTRIC ASSOCIATION  
CAPITAL PROJECT TRACKING REPORT  
As of June 30, 2020**

CIP Ref #	Project Name <sup>1</sup>	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Project Completion	Comments
				Estimate	Revisions to Estimate	Revised Estimate	Spending to Date	Forecast to Completion	Total Estimated Completion Cost	Total Estimated Cost vs. Revised Estimate			
										Amount	%		

**SYSTEM IMPROVEMENT PROJECTS**

**Reliability**

10.0240	Retire INSS 138kV Facilities E1720055	Wendling	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$994,777	\$1,705,223	\$2,700,000	\$0	100%	31%	This project will retire existing 138 kV facilities at the International Substation (INSS) and move two power transformers to new foundations with oil containment meeting fire protection and seismic requirements. Design is complete. The retirement portion of this project is underway. Staffing this portion of the effort aids us in managing COVID 19 risk, by having a contract crew on-site in the event of a manpower shortage due to COVID 19 illness. The construction portion of this project will be deferred to 2021 as a part of our COVID 19 capital budget reduction.
20.0320	Pt. Mackenzie 230 kV Substation Rebuild E1820056	Wendling	9/17/2019	\$3,700,000	\$0	\$3,700,000	\$2,282,898	\$177,266	\$2,460,164	(\$1,239,836)	66%	100%	The November 30, 2018 earthquake damaged 15 of the 22 disconnect switches which rendered the 230kV portion of the Point MacKenzie Substation inoperable. This project replaced all 22 disconnect switches. Additionally, seismic mitigation measures were implemented to the bus. All construction activities have been completed and the 230kV portion of the substation was energized on March 24th. This project has entered the closeout phase. There was less structural damage than anticipated and all construction activities were completed prior to the loss of the winter access road, so the project came in under budget. Additionally, FEMA reimbursement is being pursued for this project. This project is complete and is awaiting closeout.
03.0810	Muldoon OH/UG: Northern Lights E1613660	Miller, Mike	11/27/2017 5/27/2020	\$2,500,000	\$1,208,831	\$3,708,831	\$238,194	\$3,470,637	\$3,708,831	\$0	100%	6%	OH to UG Muldoon Road from Northern Lights to Creekside Center Drive, Pole 9755 to Pole 9782. Originally approved in the CIP on November 27, 2017, but revised due to Department of Transportation changes and design enhancements resulting in a \$1.2M increase to the estimate on May 27, 2020.

**Retirements & Replacements**

16.0000	Land Mobile Radio Replacement C1730001	Murray	11/26/2019	\$1,995,169	\$0	\$1,995,169	\$737,849	\$1,257,320	\$1,995,169	\$0	100%	10%	The project team is currently reviewing the Detailed Design Document from the vendor RACOM and will provide edits by July 9th. Equipment has shipped from New Zealand and is currently in customs in San Francisco. Once the vendor receives the equipment in Spokane, they will perform initial testing and provisioning and then ship to Chugach. Vendors and consultants will be on-site for Staging Acceptance Testing from August 6th thru 12th.
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**Operating Efficiency**

12.0213	Eklutna Hydroelectric Unit 2 Major Maintenance P1930213	Brodie	10/24/2019	\$1,047,681	\$0	\$1,047,681	\$378,630	\$669,051	\$1,047,681	\$0	100%	60%	The project was initiated by ML&P in July 2019 to complete a major overhaul of Unit 2 at Eklutna. Chugach's portion of the original estimate was \$0.8M but since the start of the overhaul it was revised to \$1.0M as damaged valves and penstock repairs outside the original estimate were identified. The project is currently scheduled to be completed in late August 2020. While the project is 60% complete and costs are slightly behind that, no significant variance from the estimate is anticipated at this time. There are no expected overruns at this time and the turbine is due to return to service in early August 2020.
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<b>Totals</b>				<b>\$11,942,850</b>	<b>\$1,208,831</b>	<b>\$13,151,681</b>	<b>\$4,632,348</b>	<b>\$7,279,497</b>	<b>\$11,911,845</b>	<b>(\$1,239,836)</b>	<b>91%</b>	<b>42%</b>	
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<sup>1</sup> Report tracks projects with costs exceeding \$1M.

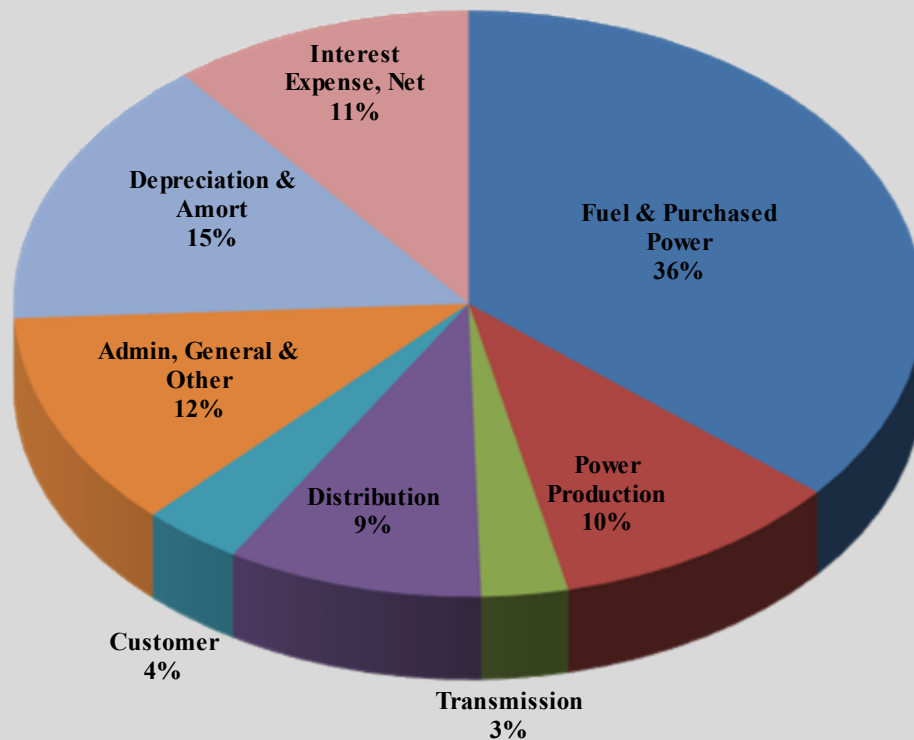
<sup>2</sup> Represents Chugach costs only.



## STATEMENT OF OPERATIONS

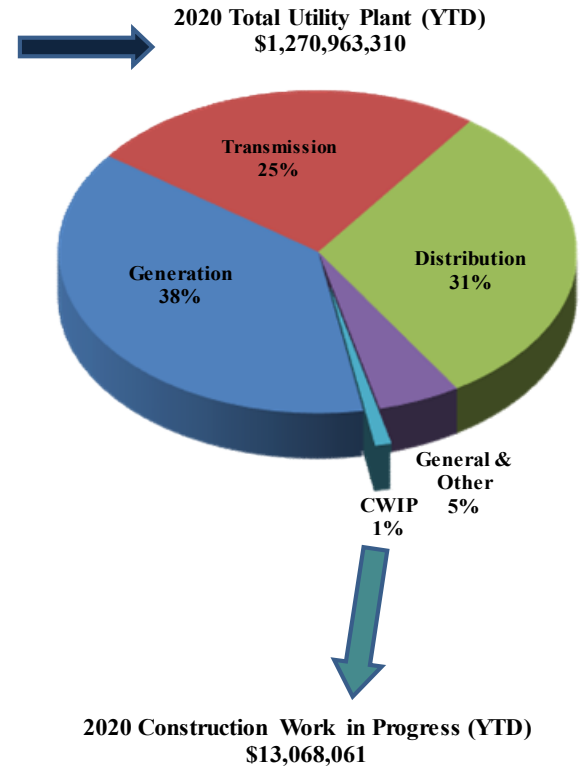
CATEGORY	2020 MTD ACTUAL	2020 MTD BUDGET	2020 MTD VARIANCE
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 15,884,806</b>	<b>\$ 16,456,166</b>	<b>\$ (571,360)</b>
Fuel and Purchased Power Expense	5,992,170	5,962,766	29,404
Power Production Expense	1,721,888	1,872,884	(150,996)
Transmission Expense	510,033	591,082	(81,049)
Distribution Expense	1,510,575	1,361,000	149,575
Customer Expense	588,385	624,367	(35,982)
Administrative, General and Other	1,992,247	2,215,960	(223,713)
Depreciation & Amortization Expense	2,495,031	2,663,293	(168,262)
Interest Expense, Net	1,785,233	1,845,308	(60,075)
<b>Total Cost of Electric Service</b>	<b>\$ 16,595,562</b>	<b>\$ 17,136,660</b>	<b>\$ (541,098)</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ (710,756)</b>	<b>\$ (680,494)</b>	<b>\$ (30,262)</b>
Non-Operating Margins - Interest	28,556	33,250	(4,694)
Allowance for Funds Used During Construction	9,044	11,822	(2,778)
Non-Operating Margins - Other	13,306	-	13,306
<b>Patronage Capital or Margins</b>	<b>\$ (659,850)</b>	<b>\$ (635,422)</b>	<b>\$ (24,428)</b>

## Total Cost of Electric Service (MTD Actual)



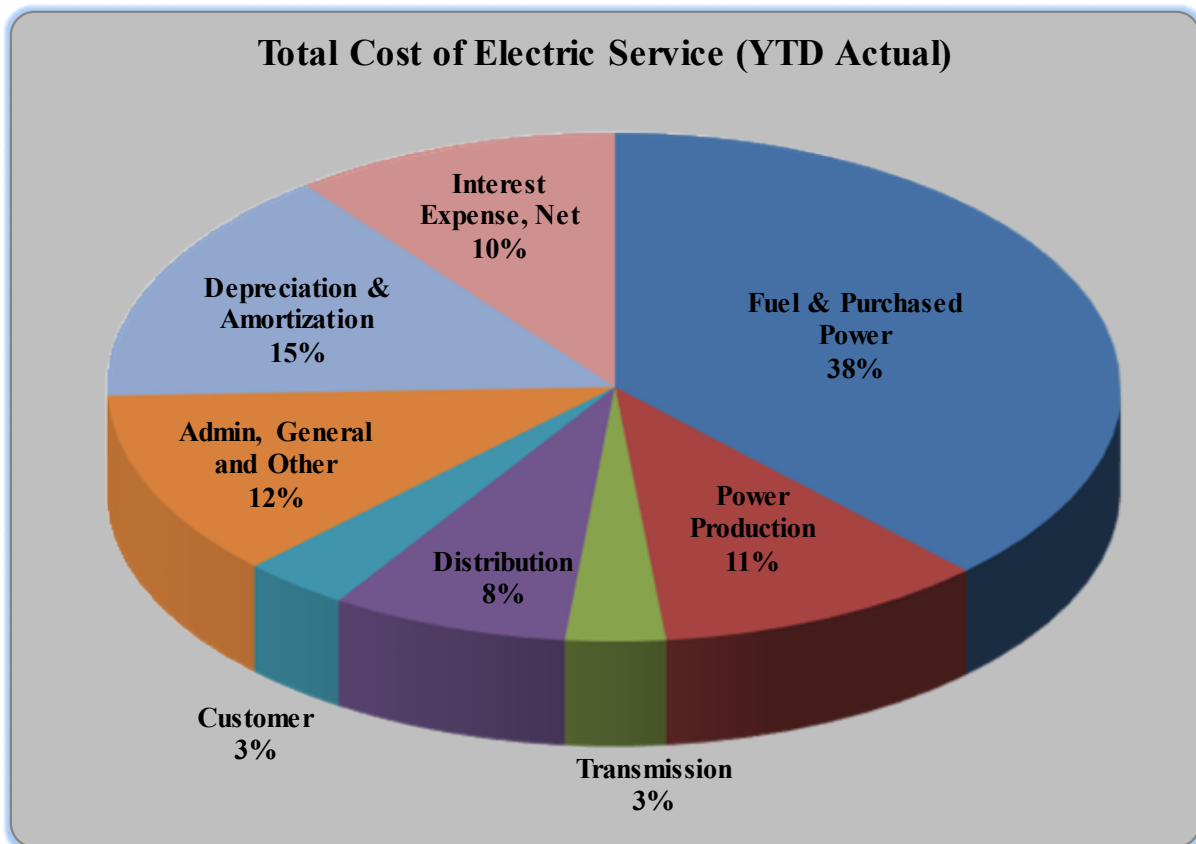
## BALANCE SHEET

ASSETS & OTHER DEBITS	06/30/2020	12/31/2019
Electric Plant in Service	1,257,895,249	1,242,523,092
Construction Work in Progress	13,068,061	16,966,608
<b>Total Utility Plant</b>	<b>\$ 1,270,963,310</b>	<b>\$ 1,259,489,700</b>
Accum. Prov. for Depreciation/Amortization	(570,277,245)	(556,209,740)
<b>Net Utility Plant</b>	<b>\$ 700,686,065</b>	<b>\$ 703,279,960</b>
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease Right-of-Use Assets	869,201	958,111
Investment in Assoc. Organizations	7,790,990	8,148,426
Special Funds	2,580,334	2,603,505
Restricted Cash Equivalents & Other	64,310	108,000
Long-term Prepayments	266,143	-
<b>Total Other Property &amp; Investments</b>	<b>\$ 11,647,867</b>	<b>\$ 11,894,931</b>
Cash & Restricted Cash	4,769,780	8,515,975
Special Deposits and Marketable Securities	250,464	248,483
Accounts Receivable - Net	25,187,529	30,120,230
Materials and Supplies, Fuel Stock	31,876,400	30,265,047
Prepayments	3,131,917	2,699,308
Other Current & Accrued Assets	713,893	1,680,885
<b>Total Current &amp; Accrued Assets</b>	<b>\$ 65,929,983</b>	<b>\$ 73,529,928</b>
Deferred Debits	52,205,634	45,880,452
<b>Total Assets &amp; Other Debits</b>	<b>\$ 830,469,549</b>	<b>\$ 834,585,271</b>
LIABILITIES & OTHER CREDITS	06/30/2020	12/31/2019
Memberships	1,789,017	1,776,592
Pat. Capital, Margins & Equities	195,616,444	192,690,321
<b>Total Margins &amp; Equities</b>	<b>\$ 197,405,461</b>	<b>\$ 194,466,913</b>
Long-Term Debt - Bonds	429,683,330	449,999,997
Long-Term Debt - Other	28,728,000	30,535,826
Unamortized Debt Issuance Costs	(2,582,670)	(2,684,537)
Operating Lease Liabilities	646,660	754,888
Finance Lease Liabilities	8,329	-
<b>Total Long-Term Debt</b>	<b>\$ 456,483,649</b>	<b>\$ 478,606,174</b>
Notes Payable	65,179,146	51,056,065
Accounts Payable	7,613,900	8,316,375
Consumer Deposits	3,740,420	4,294,770
Other Current & Accrued Liabilities	32,731,444	32,498,393
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 109,264,910</b>	<b>\$ 96,165,603</b>
Deferred Compensation	1,484,476	1,775,759
Other Liabilities, Non-Current	583,787	398,790
Deferred Liabilities	1,103,232	903,870
Cost of Removal Obligation	64,144,034	62,268,162
<b>Total Liabilities &amp; Other Credits</b>	<b>\$ 830,469,549</b>	<b>\$ 834,585,271</b>



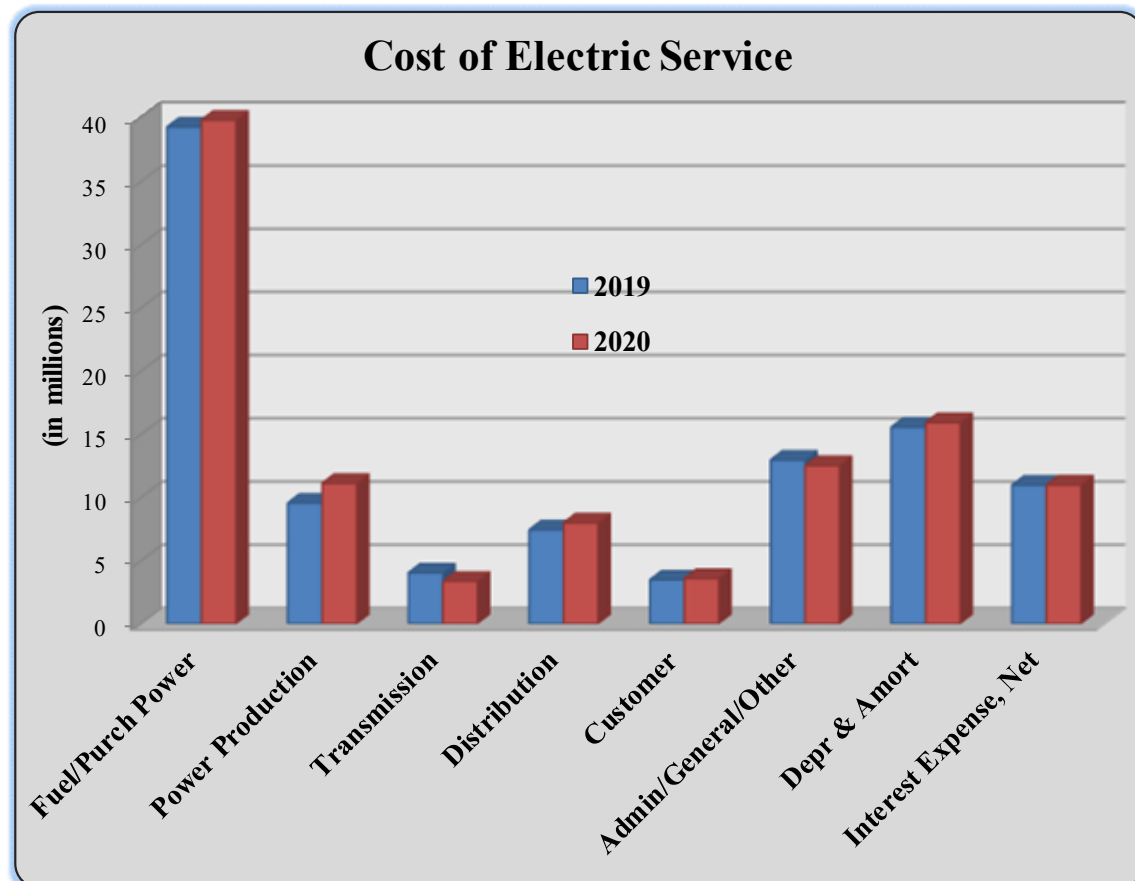
## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2020 ACTUAL TO BUDGET VARIANCE

CATEGORY	2020 YTD ACTUAL	2020 YTD BUDGET	2020 YTD VARIANCE
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 108,694,376</b>	<b>\$ 108,586,251</b>	<b>\$ 108,125</b>
Fuel and Purchased Power Expense	39,839,408	39,277,408	562,000
Power Production Expense	11,107,383	10,847,642	259,741
Transmission Expense	3,361,172	3,936,553	(575,381)
Distribution Expense	7,982,106	7,876,958	105,148
Customer Expense	3,589,755	3,824,501	(234,746)
Administrative, General and Other	12,520,493	13,359,100	(838,607)
Depreciation & Amortization Expense	15,913,682	15,906,195	7,487
Interest Expense, Net	10,977,856	11,294,950	(317,094)
<b>Total Cost of Electric Service</b>	<b>\$ 105,291,855</b>	<b>\$ 106,323,307</b>	<b>\$ (1,031,452)</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 3,402,521</b>	<b>\$ 2,262,944</b>	<b>\$ 1,139,577</b>
Non-Operating Margins - Interest	193,146	199,500	(6,354)
Allowance Funds Used During Const.	57,329	42,264	15,065
Non-Operating Margins - Other	(68,241)	-	(68,241)
<b>Patronage Capital or Margins</b>	<b>\$ 3,584,755</b>	<b>\$ 2,504,708</b>	<b>\$ 1,080,047</b>
MFI/I	1.32	1.22	
TIER	1.33	1.23	



## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR ACTUAL

CATEGORY	2020 YTD ACTUAL	2019 YTD ACTUAL
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 108,694,376</b>	<b>\$ 103,367,326</b>
Fuel and Purchased Power Expense	39,839,408	39,297,796
Power Production Expense	11,107,383	9,542,186
Transmission Expense	3,361,172	4,022,783
Distribution Expense	7,982,106	7,424,478
Customer Expense	3,589,755	3,466,561
Administrative, General and Other	12,520,493	12,946,367
Depreciation and Amortization Expense	15,913,682	15,550,749
Interest Expense, Net	10,977,856	10,961,979
<b>Total Cost of Electric Service</b>	<b>\$ 105,291,855</b>	<b>\$ 103,212,899</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 3,402,521</b>	<b>\$ 154,427</b>
Non-Operating Margins - Interest	193,146	311,815
Allowance for Funds Used During Construction	57,329	83,507
Non-Operating Margins - Other	(68,241)	118,757
<b>Patronage Capital or Margins</b>	<b>\$ 3,584,755</b>	<b>\$ 668,506</b>
MFI/I	1.32	1.06
TIER	1.33	1.07

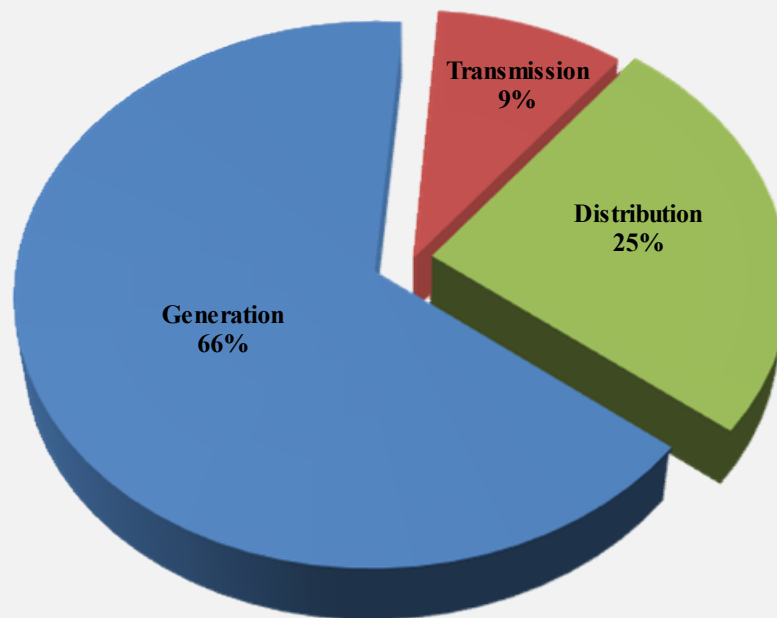


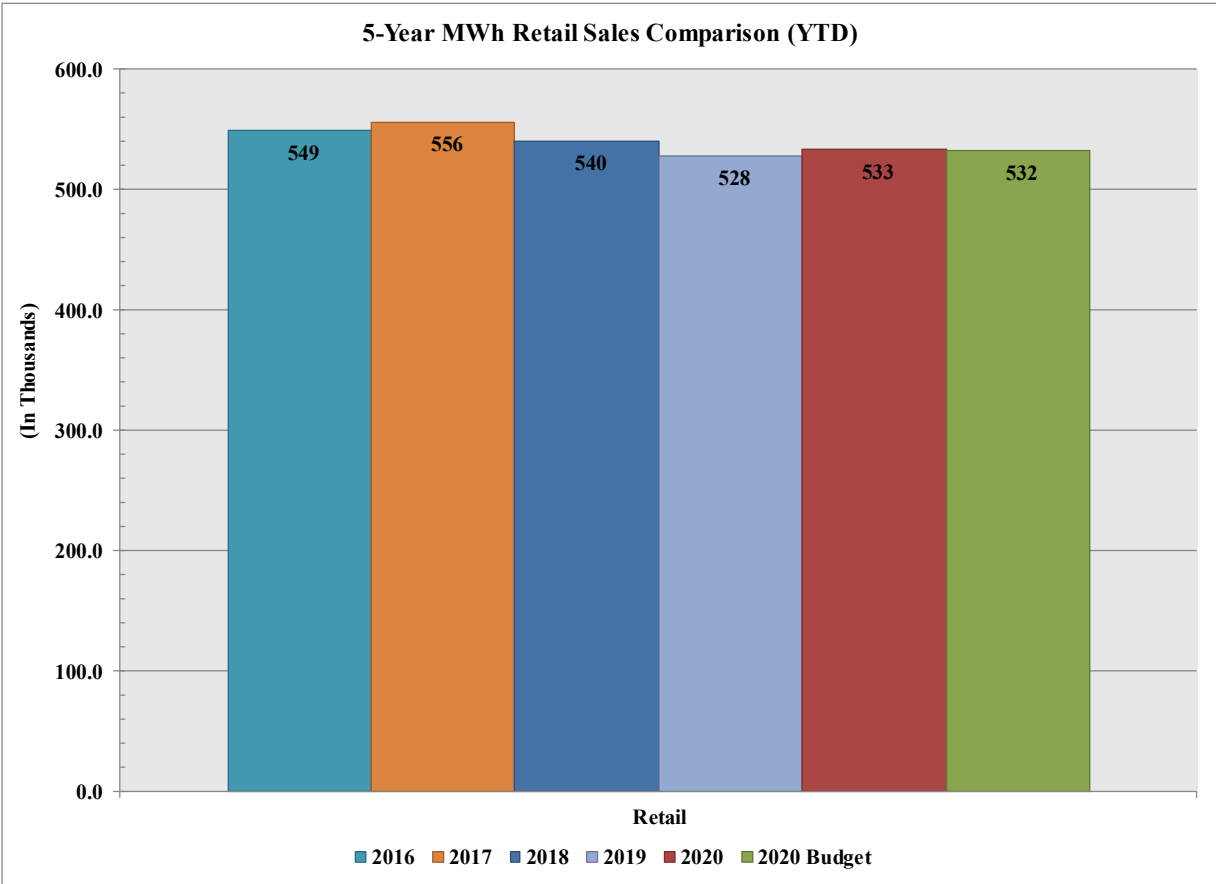
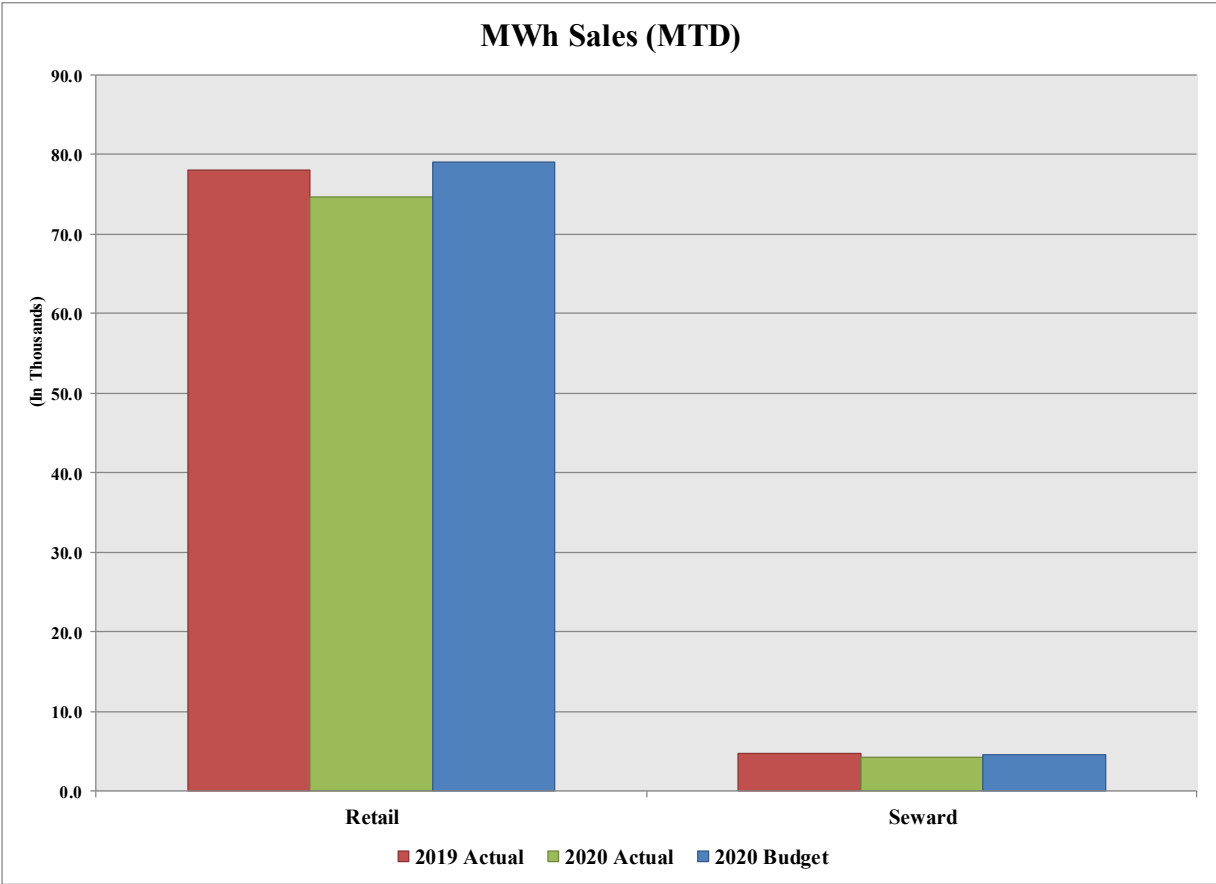
## FUNCTIONAL STATEMENT OF OPERATIONS

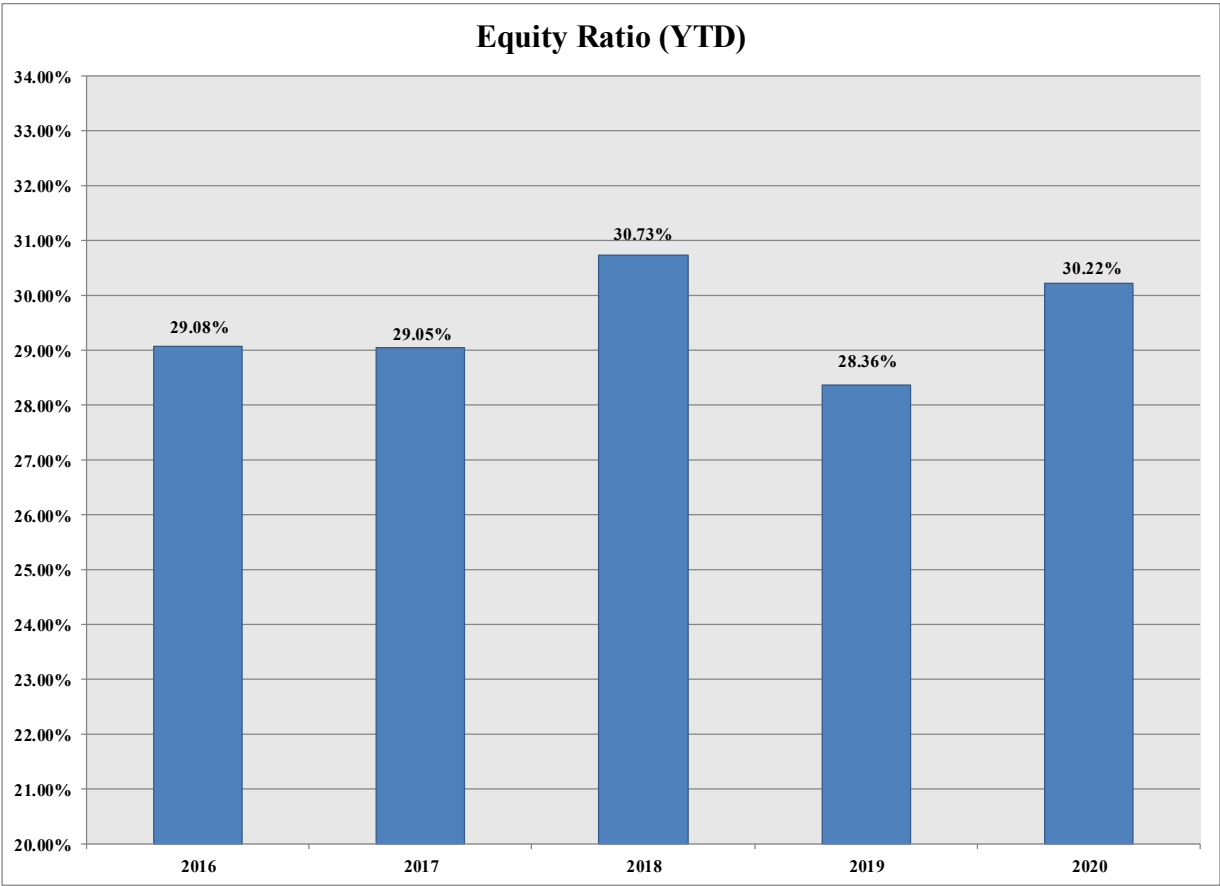
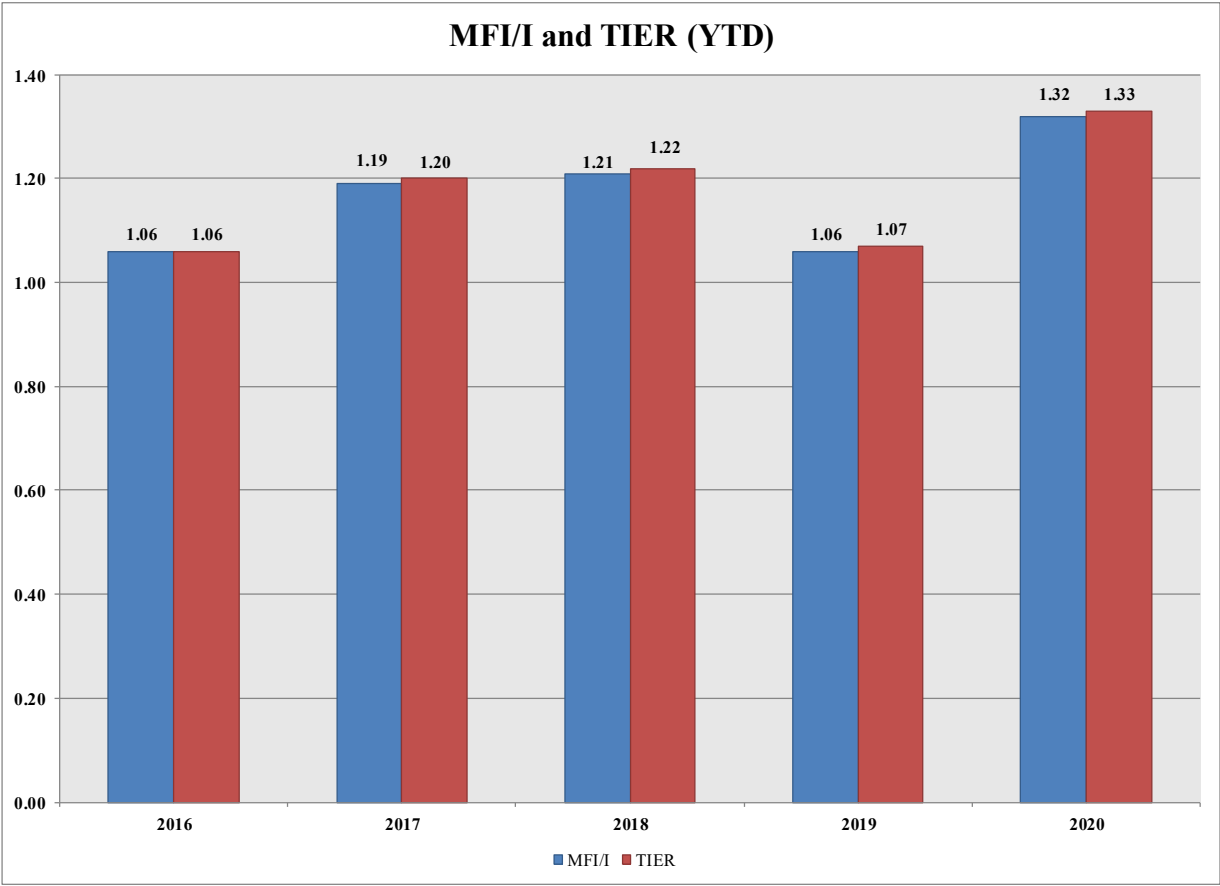
June 30, 2020

CATEGORY	2020 YTD TOTAL	2020 YTD GEN	2020 YTD TRANS	2020 YTD DIST
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 108,694,376</b>	<b>\$ 70,216,567</b>	<b>\$ 10,217,271</b>	<b>\$ 28,260,538</b>
Fuel and Purchased Power Expense	39,839,408	39,839,408	-	-
Power Production Expense	11,107,383	11,107,383	-	-
Transmission Expense	3,361,172	-	3,361,172	-
Distribution Expense	7,982,106	-	-	7,982,106
Customer Expense	3,589,755	-	-	3,589,755
Administrative, General and Other	12,520,493	4,001,104	1,642,324	6,877,065
Depreciation & Amortization Expense	15,913,682	7,461,215	2,557,630	5,894,837
Interest Expense, Net	10,977,856	6,735,628	2,277,640	1,964,588
<b>Total Cost of Electric Service</b>	<b>\$ 105,291,855</b>	<b>\$ 69,144,738</b>	<b>\$ 9,838,766</b>	<b>\$ 26,308,351</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 3,402,521</b>	<b>\$ 1,071,829</b>	<b>\$ 378,505</b>	<b>\$ 1,952,187</b>
Non-Operating Margins - Interest	193,146	90,558	31,042	71,546
Allowance for Funds Used During Construction	57,329	3,291	3,466	50,572
Non-Operating Margins - Other	(68,241)	(20,865)	(9,026)	(38,350)
<b>Patronage Capital or Margins</b>	<b>\$ 3,584,755</b>	<b>\$ 1,144,813</b>	<b>\$ 403,987</b>	<b>\$ 2,035,955</b>

## Total Cost of Electric Service







## ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	533,355,287	532,467,756
Wholesale Energy Sales	<u>29,447,750</u>	<u>28,285,561</u>
Total Firm Energy Sales	562,803,037	560,753,407
Economy Energy Sales	<u>0</u>	<u>0</u>
Total Energy Sales	562,803,037	560,753,407

Firm energy sales totaled 562,803,037 kWh, which was a 0.4% favorable variance compared to budget. Retail energy sales were over budget 0.2% and wholesale energy sales were over budget by 4.1% primarily due to colder than anticipated weather in the first quarter and strong residential sales in April and May due to the impact of our members working more from home, which was offset by lower commercial sales in the second quarter due to reduced commercial activity as a result of the impact of COVID-19.

## ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$103.2	\$ 104.2
Wholesale Revenue	<u>3.0</u>	<u>3.0</u>
Total Firm Revenue	106.2	107.2
Economy Energy/Capacity Revenue	0.0	0.0
Other Operating Revenue	<u>2.5</u>	<u>1.4</u>
Total Revenue	\$ 108.7	\$ 108.6

Revenue from firm sales totaled \$106.2 million compared to \$107.2 million in the budget. Firm revenue was lower than expected primarily due to lower than anticipated costs recovered through the fuel and purchased power adjustment process as a result of higher wheeling. Additionally, the decrease in small and large general service revenue in the second quarter was somewhat offset by an increase in residential revenue in the second quarter and higher firm sales revenue in the first quarter due to colder weather. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$2.5 million compared to \$1.4 million in the budget, primarily due to higher than anticipated wheeling from Bradley Lake.



## FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 26.7	\$ 29.4
Purchased Power	<u>13.1</u>	<u>9.9</u>
Total	\$ 39.8	\$ 39.3

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$26.7 million compared to \$29.4 million in the budget. This favorable variance was primarily due to lower than anticipated fuel as a result of less power generated at SPP than planned and lower storage and transportation expense.

Actual fuel purchased or withdrawn from inventory for production was 3,003,900 Mcf, which did not include 457,120 Mcf of fuel recorded as purchased power, at an average effective delivered price of \$8.26 per Mcf compared to 3,232,524 Mcf in the budget at an average effective delivered price of \$8.24 per Mcf.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was \$13.1 million compared to \$9.9 million in the budget. This unfavorable variance compared to budget was primarily due to higher than anticipated purchases from ML&P as a result of higher energy sales primarily in the first quarter.

Actual energy purchased was 161,083 MWh at an average effective price of 7.00 cents per kWh compared to 113,902 MWh budgeted at an average effective price of 6.94 cents per kWh.

## POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 11.1	\$ 10.8

Power production expense was \$11.1 million compared to \$10.8 million in the budget. This unfavorable budget variance is primarily due to higher than anticipated maintenance costs at Beluga.

## TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 3.4	\$ 3.9

Transmission operations and maintenance expense was \$3.4 million compared to \$3.9 million in the budget. This favorable variance was primarily due to lower than anticipated costs associated with vegetation control and engineering studies and design.

## DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 7.9	\$ 7.9

Distribution operations and maintenance expense was \$7.9 million compared to \$7.9 million in the budget with no significant variance.

## CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 3.6	\$ 3.8

Consumer accounts and customer information expense was \$3.6 million compared to \$3.8 million in the budget. This favorable variance is primarily due to lower than anticipated labor expense and printing costs.

## ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 12.5	\$ 13.4

Administrative, general and other expense includes tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts. Administrative, general and other expense was \$12.5 million compared to \$13.4 million in the budget. This favorable budget variance is primarily due to lower than anticipated costs associated with legal, information services, human resources and fuel and corporate planning initiatives, as well as corporate membership dues and training related costs.

## SUMMARY

Depreciation, interest, and interest during construction expense totaled \$26.9 million compared to \$27.2 million in the budget. This favorable variance compared to budget was primarily due to lower than anticipated interest expense.

All of the foregoing expenses resulted in total cost of electric service of \$105.3 million compared to \$106.3 million in the budget.

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest income. Non-operating margins totaled \$182.2 thousand compared to \$241.8 thousand in the budget primarily due to the loss in value of marketable securities. At June 30, 2020, the market value of Chugach's marketable securities was \$0.2 million and had a quarter ending rate of return of 7.12% and a 12-month rolling return of 0.31%.

The net result of revenue and expenses was margins of \$3.6 million compared to projected margins of \$2.5 million in the budget. The current forecast projects year-end margins of \$6.3 million, an MFI/I of 1.28, and TIER of 1.29.

## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS YEAR-END FORECAST

CATEGORY	2020 APPROVED BUDGET	2020 AMENDED BUDGET	2020 YTD ACTUALS	2020 REVISED FORECAST
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 227,256,742</b>	<b>\$ 218,368,235</b>	<b>\$ 108,694,376</b>	<b>\$ 215,195,846</b> <sup>1, 2</sup>
Fuel and Purchased Power Expense	88,355,228	79,466,721	39,839,408	80,028,319 <sup>1, 2</sup>
Power Production Expense	21,763,699	21,763,699	11,107,383	20,486,788 <sup>2</sup>
Transmission Expense	7,416,584	7,416,584	3,361,172	7,301,864 <sup>2</sup>
Distribution Expense	16,378,463	16,378,463	7,982,106	15,252,543 <sup>2</sup>
Customer Expense	7,709,966	7,709,966	3,589,755	7,502,277 <sup>2</sup>
Administrative, General & Other	26,116,149	26,116,149	12,520,493	24,953,605 <sup>2</sup>
Depreciation and Amortization Expense	31,953,849	31,953,849	15,913,682	31,945,742 <sup>1, 2</sup>
Interest Expense, Net	22,317,234	22,317,234	10,977,856	21,916,570 <sup>1, 2</sup>
<b>Total Cost of Electric Service</b>	<b>\$ 222,011,172</b>	<b>\$ 213,122,665</b>	<b>\$ 105,291,855</b>	<b>\$ 209,387,708</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 5,245,570</b>	<b>\$ 5,245,570</b>	<b>\$ 3,402,521</b>	<b>\$ 5,808,138</b>
Non-Operating Margins - Interest	399,000	399,000	193,146	392,646 <sup>1</sup>
Allowance for Funds Used During Construction	145,638	145,638	57,329	160,703 <sup>1</sup>
Non-Operating Margins - Other	-	-	(68,241)	(68,241) <sup>1</sup>
<b>Patronage Capital or Margins</b>	<b>\$ 5,790,208</b>	<b>\$ 5,790,208</b>	<b>\$ 3,584,755</b>	<b>\$ 6,293,246</b>
MFI/I	1.25	1.25	1.32	1.28
TIER	1.27	1.27	1.33	1.29

<sup>1</sup> Forecast based on 6 month actual and 6 month forecast

<sup>2</sup> Forecast has been adjusted to reflect anticipated changes

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**AUDIT AND FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**August 12, 2020**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.A.**

<u>      </u>	<b>Information Only</b>
<u>  X  </u>	<b>Motion</b>
<u>      </u>	<b>Resolution</b>
<u>      </u>	<b>Executive Session</b>
<u>      </u>	<b>Other</b>

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**TOPIC**

Election of Audit and Finance Committee Vice Chair

**DISCUSSION**

Board Policy 207, Audit and Finance Committee provides that the Board Chair shall appoint the Board Treasurer as the Audit and Finance Committee Chairperson. This year, the Board Treasurer and thus the Audit and Finance Chair is Director Harold Hollis. Pursuant to Board Policy 207, the Audit and Finance Committee is to elect from its membership a Vice Chair.

The Vice Chair acts during the absence of the Chair. The term of the Vice Chair is from his or her election by the Committee and until a new Committee is appointed by the Board Chair or unless the Vice Chair is otherwise removed or no longer wishes to serve.

Director Harold Hollis is Chair of the Audit and Finance Committee and other Committee members include Directors Jim Henderson, Sam Cason, Mark Wiggin and Bettina Chastain.

**MOTION**

Move that the Audit and Finance Committee appoint Director \_\_\_\_\_ as Vice Chair of the Audit and Finance Committee.

# CHUGACH ELECTRIC ASSOCIATION, INC.

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June 2020 Financial Information  
August 12, 2020



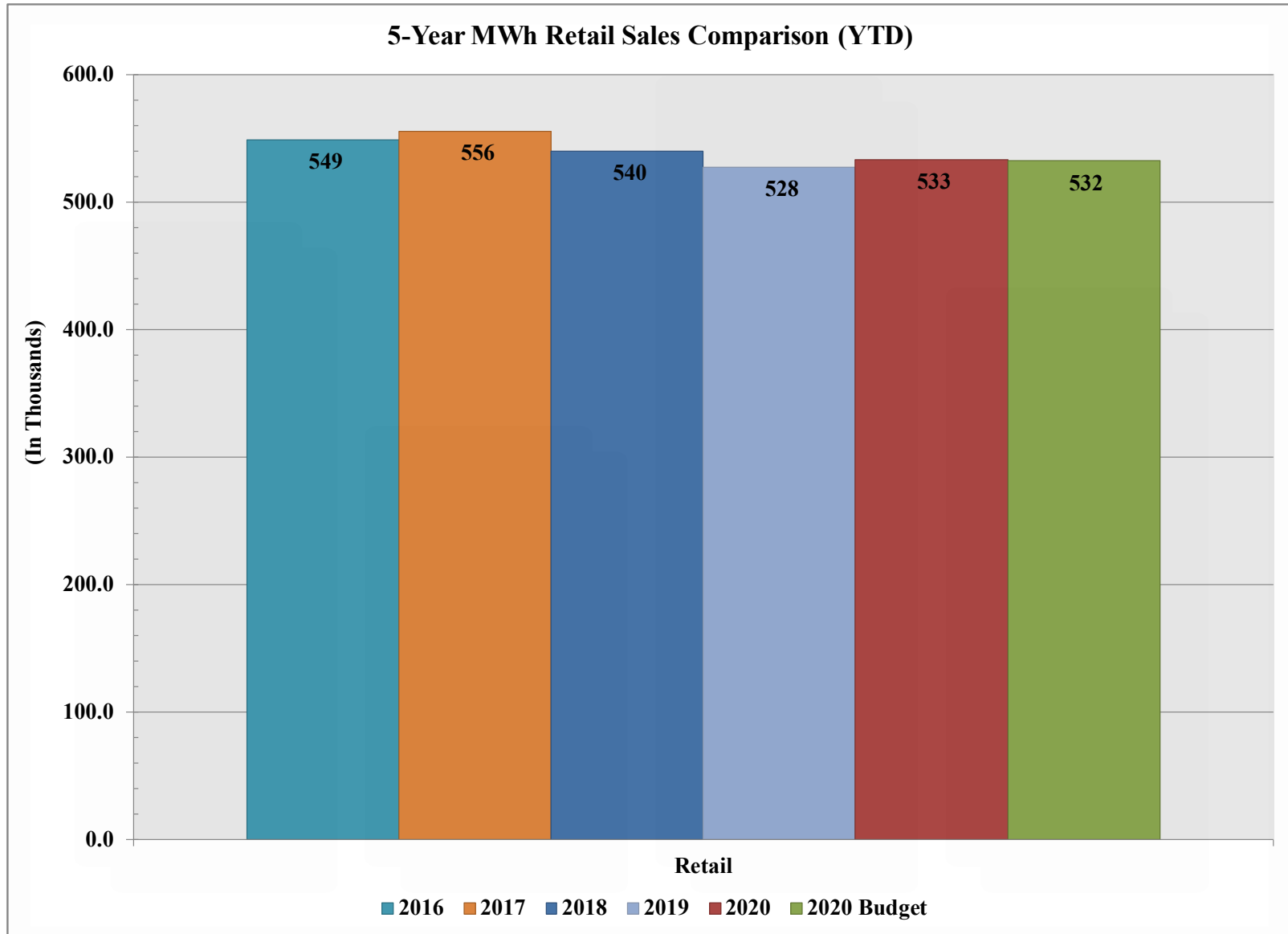
# June 2020 Financial Information

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- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows

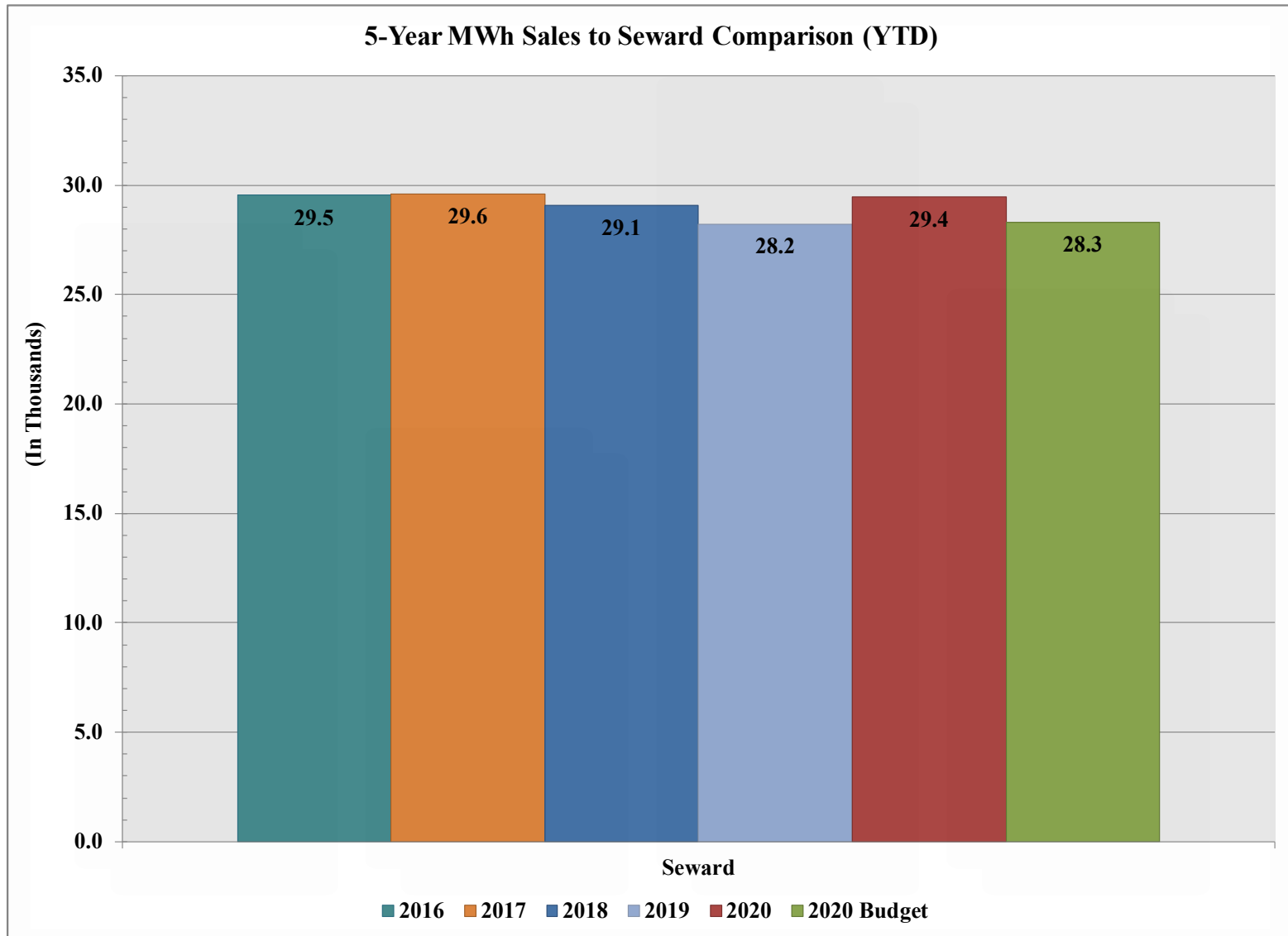
# June 2020 Financial Information

## 5 Year Retail MWh Sales Comparison



# June 2020 Financial Information

## 5 Year Seward MWh Sales Comparison





# June 2020 Financial Information

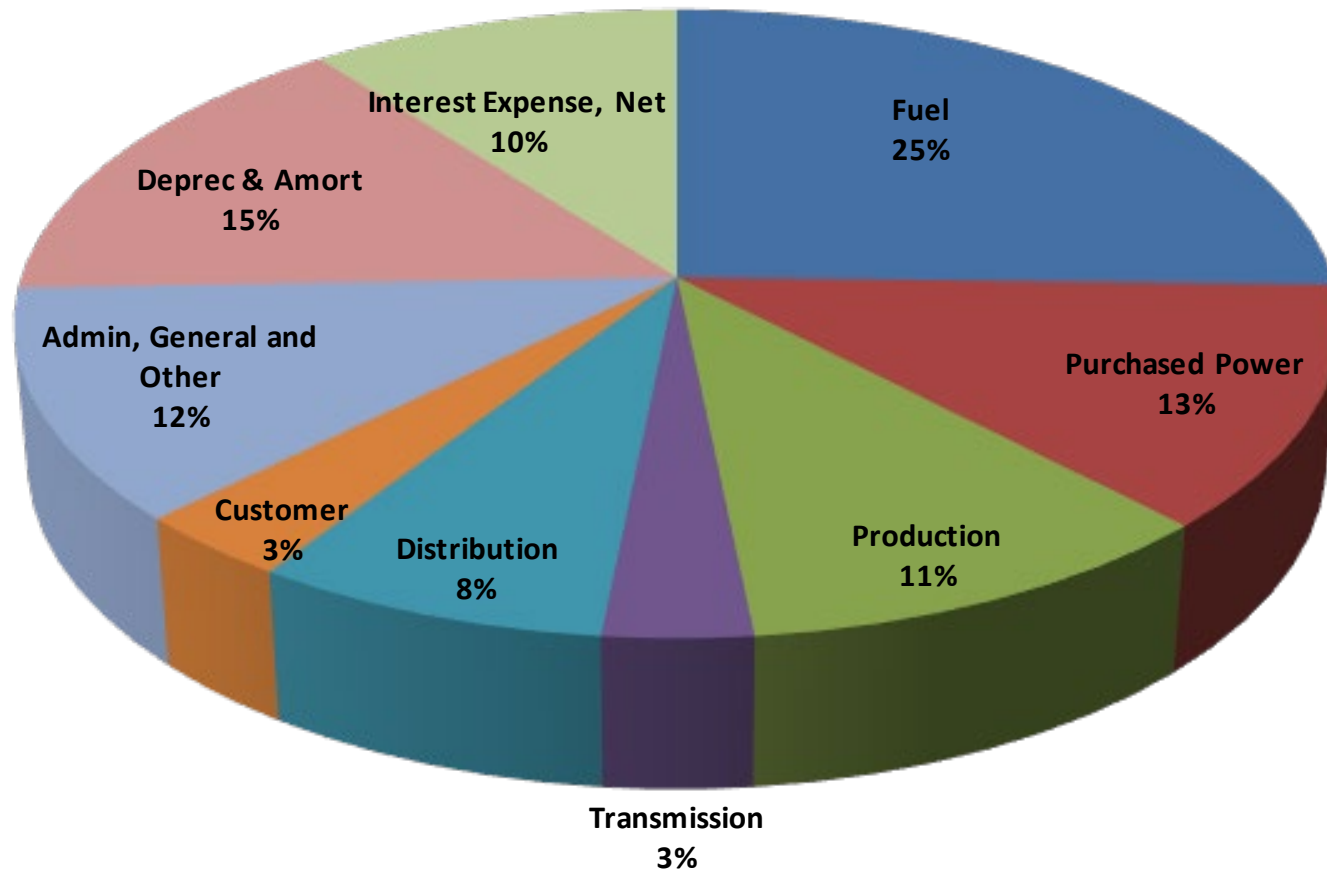
## Comparative Statement of Operations



CATEGORY	ACTUAL	BUDGET	VARIANCE
<b>Operating Revenues</b>	<b>\$ 108,694,376</b>	<b>\$ 108,586,251</b>	<b>\$ 108,125</b>
Fuel	26,722,341	29,430,516	(2,708,175)
Production	11,107,383	10,847,642	259,741
Purchased Power	13,117,067	9,846,892	3,270,175
Transmission	3,361,172	3,936,553	(575,381)
Distribution	7,982,106	7,876,958	105,148
Consumer Accounts	3,589,755	3,824,501	(234,746)
Administrative, General and Other	12,520,493	13,359,100	(838,607)
Depreciation and Amortization	15,913,682	15,906,195	7,487
<b>Total Operating Expenses</b>	<b>\$ 94,313,999</b>	<b>\$ 95,028,357</b>	<b>\$ (714,358)</b>
Interest Expense, Long-Term and Other	11,121,181	11,421,740	(300,559)
Interest Charged to Construction	(143,325)	(126,790)	(16,535)
<b>Net Interest Expense</b>	<b>\$ 10,977,856</b>	<b>\$ 11,294,950</b>	<b>\$ (317,094)</b>
<b>Net Operating Margins</b>	<b>\$ 3,402,521</b>	<b>\$ 2,262,944</b>	<b>\$ 1,139,577</b>
Interest Income	193,146	199,500	(6,354)
Allowance Funds Used During Const.	57,329	42,264	15,065
Capital Credits, Patronage Dividends, Other	(68,241)	0	(68,241)
<b>Patronage Capital or Margins</b>	<b>\$ 3,584,755</b>	<b>\$ 2,504,708</b>	<b>\$ 1,080,047</b>
MFI/I	1.32	1.22	
TIER	1.33	1.23	

# June 2020 Financial Information

## Total Operating and Interest Expense



# June 2020 Financial Information

## Comparative Balance Sheet, Assets & Other Debits

ASSETS & OTHER DEBITS	06/30/20	12/31/19	CHANGE
Electric Plant in Service	1,257,895,249	1,242,523,092	15,372,157
Construction Work in Progress	13,068,061	16,966,608	(3,898,547)
<b>Total Utility Plant</b>	<b>\$ 1,270,963,310</b>	<b>\$ 1,259,489,700</b>	<b>\$ 11,473,610</b>
Accumulated Depreciation	(570,277,245)	(556,209,740)	(14,067,505)
<b>Net Utility Plant</b>	<b>\$ 700,686,065</b>	<b>\$ 703,279,960</b>	<b>\$ (2,593,895)</b>
Nonutility Property	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	869,201	958,111	(88,910)
Investment in Assoc. Organizations	7,790,990	8,148,426	(357,436)
Special Funds	2,580,334	2,603,505	(23,171)
Restricted Cash Equivalents & Other	64,310	108,000	(43,690)
Long-term Prepayments	266,143	0	266,143
<b>Total Other Property &amp; Investments</b>	<b>\$ 11,647,867</b>	<b>\$ 11,894,931</b>	<b>\$ (247,064)</b>
Cash and Restricted Cash	4,769,780	8,515,975	(3,746,195)
Special Deposits and Marketable Securities	250,464	248,483	1,981
Accounts Receivable - Net	25,187,529	30,120,230	(4,932,701)
Materials and Supplies, Fuel Stock	31,876,400	30,265,047	1,611,353
Prepayments	3,131,917	2,699,308	432,609
Other Current Assets	713,893	1,680,885	(966,992)
<b>Total Current Assets</b>	<b>\$ 65,929,983</b>	<b>\$ 73,529,928</b>	<b>\$ (7,599,945)</b>
Deferred Charges, Net	52,205,634	45,880,452	6,325,182
<b>Total Assets</b>	<b>\$ 830,469,549</b>	<b>\$ 834,585,271</b>	<b>\$ (4,115,722)</b>

# June 2020 Financial Information

## Comparative Balance Sheet, Liabilities & Other Credits



LIABILITIES & OTHER CREDITS	06/30/20	12/31/19	CHANGE
Memberships	1,789,017	1,776,592	12,425
Patronage Capital	180,263,286	177,380,964	2,882,322
Other	15,353,158	15,309,357	43,801
<b>Total Equities and Margins</b>	<b>\$ 197,405,461</b>	<b>\$ 194,466,913</b>	<b>\$ 2,938,548</b>
Bonds Payable	429,683,330	449,999,997	(20,316,667)
National Bank for Cooperatives	28,728,000	30,552,000	(1,824,000)
Unamortized Debt Issuance Costs	(2,582,670)	(2,684,537)	101,867
Operating & Finance Lease Liabilities	654,989	738,713	(83,724)
<b>Total Long-Term Obligations</b>	<b>\$ 456,483,649</b>	<b>\$ 478,606,173</b>	<b>\$ (22,122,524)</b>
Current Installments of Long-Term Obligations	24,179,146	27,056,065	(2,876,919)
Commercial Paper	41,000,000	24,000,000	17,000,000
Accounts Payable	7,613,900	8,316,375	(702,475)
Consumer Deposits	3,740,420	4,294,770	(554,350)
Other Current & Accrued Liabilities	32,731,444	32,498,394	233,050
<b>Total Current Liabilities</b>	<b>\$ 109,264,910</b>	<b>\$ 96,165,604</b>	<b>\$ 13,099,306</b>
Deferred Compensation	1,484,476	1,775,759	(291,283)
Other Liabilities, Non-Current	583,787	398,790	184,997
Deferred Liabilities	1,103,232	903,870	199,362
Cost of Removal Obligation / ARO	64,144,034	62,268,162	1,875,872
<b>Total Liabilities, Equities and Margins</b>	<b>\$ 830,469,549</b>	<b>\$ 834,585,271</b>	<b>\$ (4,115,722)</b>

# June 2020 Financial Information

## Statements of Cash Flows

	06/30/20	06/30/19
<b>1. Cash flows from operating activities:</b>		
Assignable margins	\$ 3,584,755	\$ 668,506
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	19,643,228	19,157,983
Allowance for funds used during construction	(57,329)	(83,507)
Other	316,824	372,045
Net (increase) decrease in assets	(4,681,606)	29,976
Decrease in liabilities	(2,829,274)	(3,544,097)
<b>Net cash provided by operating activities:</b>	<b>\$ 15,976,598</b>	<b>\$ 16,600,906</b>
<b>2. Cash flows from investing activities:</b>		
Return of capital from investment in associated organizations	357,436	414,443
Investment in special funds	(305,373)	(14,855)
Investment in marketable securities and investments-other	(3,372)	(22,430)
Proceeds from the sale of marketable securities	0	6,437,508
Extension and replacement of plant	(13,434,130)	(19,481,053)
<b>Net cash used in investing activities:</b>	<b>\$ (13,385,439)</b>	<b>\$ (12,666,387)</b>
<b>3. Cash flows from financing activities:</b>		
Payments for debt issue costs	(34,122)	(472,332)
Net increase (decrease) in short-term obligations	17,000,000	(53,000,000)
Net increase (decrease) in long-term obligations	(25,012,667)	49,987,333
Net increase (decrease) in consumer advances/retired patronage/other	1,665,745	(4,345,657)
<b>Net cash provided by (used in) financing activities:</b>	<b>\$ (6,381,044)</b>	<b>\$ (7,830,656)</b>
Net change in cash, cash equivalents & restricted cash	(3,789,885)	(3,896,137)
<b>4. Cash, cash equivalents &amp; restricted cash at beginning of period</b>	<b>\$ 8,623,975</b>	<b>\$ 7,428,969</b>
<b>5. Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 4,834,090</b>	<b>\$ 3,532,832</b>

Questions?

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**AUDIT AND FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**August 12, 2020**

**ACTION REQUIRED**

**AGENDA ITEM NO. VIII.A.**

<u>      </u>	<b>Information Only</b>
<u>  <b>X</b>  </u>	<b>Motion</b>
<u>      </u>	<b>Resolution</b>
<u>      </u>	<b>Executive Session</b>
<u>      </u>	<b>Other</b>

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**TOPIC**

June 30, 2020, SEC Form 10Q Filing

**DISCUSSION**

The Form 10Q as reviewed in executive session.

**MOTION**

Move that the Audit and Finance Committee recommend management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Mr. Hayhurst and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes.